



INTERNAL
CONTROLS OVER
COLLECTIONS

2021 Annual County Clerks Conference

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INTERNAL
CONTROLS

What are they?

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Definition

- ❖ Internal control is the process by which management structures an organization to provide assurance that an entity operates effectively and efficiently, has reliable financial reporting system and complies with applicable laws and regulations.

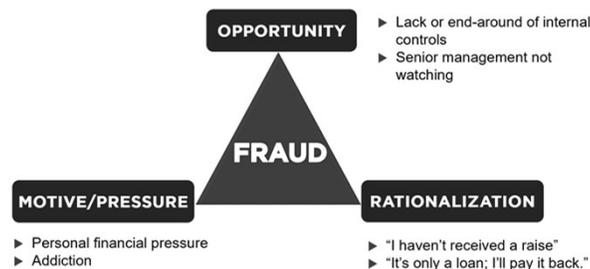
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Purpose:

To combat fraud and mistakes by preventing opportunity, detecting fraud, errors, and omissions



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Components

1. Control Environment
 - “Tone at the Top”
2. Risk Assessment
 - Where is the risk?
3. Control Activities
 - Policies and Procedures
4. Information and communication
 - Reliable and Relevant; Internal & External
5. Monitoring Activities
 - Is it working properly? If not communicate timely.



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Additional Information



- ❖ Internal Controls are designed and implemented by management
- ❖ Internal Controls should always be evolving and never stagnant
- ❖ Segregation of Duties
- ❖ Document, Document, Document

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INTERNAL CONTROL SCENARIOS

Let's Discuss

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Scenario #1

- ❖ It is the end of the day and time to close out the drawer up front. There are 3 employees in the Clerks office that are helping customers, taking money and issuing receipts. When reconciling the drawer to the receipts it is determined that cash is short \$100.

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Scenario #2

❖ In June, Sarah, the bookkeeper in the Clerks office, who was on maternity leave for 6 weeks returned to work. Upon coming back Sarah realized that the bank reconciliation has not been done since March. Positive pay is used to deter check fraud and 10 fraudulent checks were cashed totaling \$48,000. The bank refuses to refund since the checks cleared over 30 days prior.

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Scenario #3

❖ Raymond is newly elected as the County Clerk. His first day in the office he goes to the bank to get his name put on the account and do all the paperwork. Once the paperwork is all filled out one of the Bank Tellers stops him and gives him 36 bank deposit receipts from the prior year that the previous Clerk never picked up.

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Scenario #4

- ❖ Kelli is the bookkeeper in the Clerk office and has been with the county for 25 years. Once the girls up reconcile their drawers, they turn it in to Kelli who makes the daily deposits. At the end of the month Kelli is also responsible for reconciling and filling out the Report of Collections to turn over the county funds.

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Scenario #5

- ❖ A new employee Randall is responsible for completing the supplemental annual financial report to give to the Auditor for inclusion in the County's Financial Statements. Randall only includes the ISETS information and leaves the trust off completely, which make the financial statements materially incorrect.

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Additional Information

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Things to Consider

- ❖ One person responsible for any process and no one else knowing how to perform
- ❖ Remote Working
- ❖ Taking Records Home
 - Confidential Records
 - Policy



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Fraud Attempts Increasing

- ❖ Be suspicious of emails from those you do not know and Read thoroughly before clicking on anything
- ❖ Fraudulent Checks
- ❖ Giving any confidential information over the phone

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IC 5-11-1-27

- ❖ Pursuant to IC 5-11-1-27(j), all political subdivisions are required to report to us all erroneous or irregular material variances, losses, shortages, or thefts of local funds or property.
- ❖ <https://www.in.gov/sboa/political-subdivisions/counties/>

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Resources

- ❖ Uniform Internal Control Standards for Indiana Political Subdivisions

<https://www.in.gov/sboa/files/UniformInternalControlStandards.pdf>

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Resources

- ❖ Best Practices Check Lists:
 - Bank Account Reconciliations
 - Receipting Activities
 - Disbursing Activities
 - Annual Financial Reports

<https://www.in.gov/sboa/political-subdivisions/counties/>

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